

**SEATTLE SCHOOL DISTRICT No. 1**  
**King County, Washington**  
**September 1, 1992 Through August 31, 1993**

---

**Schedule Of Findings**

---

1. District Officials Should Strengthen Controls Over Staff Mix Recording And Reporting

Our audit of the Legislative Evaluation and Accountability Program (LEAP) placement for certificated personnel disclosed district personnel had inaccurately recorded and reported employee academic credits and work histories to the Superintendent of Public Instruction (SPI).

Our sample for testing LEAP placement was composed of 30 certificated individuals. Our testing demonstrated district officials overstated an employee's credit history by 30 credits. In another instance, the district had underreported a teacher's credits by 24 units. In a third case, the district had overreported a person's work experience by five years.

In each of the above occurrences, academic credits or work history was misstated to the extent that staff mix factors derived from this information were inaccurate. Two of the above errors occurred prior to 1988 and have impacted the mix factors in each subsequent year. The other inaccuracy involved the 92-93 school year only.

Additionally, we found three other cases in which inaccuracies were reported but the LEAP placements were not impacted.

WAC 392-121-270 states in part:

Each certificated instructional employee with a degree shall be placed on the state-wide salary allocation schedule and on LEAP Document 1 based on the employee's years of experience, highest degree level, and total eligible credits as defined in this chapter.

The inaccuracies occurred for different reasons. One occurrence resulted from an incorrect reading of a college transcript. The other cases occurred because district officials did not consistently apply system procedures to assure accurate updating.

When the district records and reports inaccurate transcript and work experience information, the following situations could occur:

- a. Apportionment awards/funding may be distorted.
- b. Employee salaries may be over or under paid.

We recommend district officials strengthen controls over the staff mix system so all pertinent information will be accurately recorded and reported to the SPI.

We further recommend district officials correct noted and/or known errors in their staff

mix data.

2. School Officials Should Comply With Basic ASB Receipting And Depositing Policies And Procedures

During our audit of Associated Student Body (ASB) operations, we encountered unauthorized ASB activities at an elementary school and an ASB fund-raiser operated by the PTA at another elementary school.

In fiscal year 1993, officials at one elementary school collected \$7,977 and spent \$7,232 for ASB and other various activities. The school officials, rather than requesting the establishment of an authorized ASB imprest checking account, receipted and deposited the ASB funds in a checking account established for use as an employee social fund. Our review of the account indicated that appropriate ASB expenses were paid from this account. No ASB revenues or expenditures, however, were recorded as such nor reported to the district business office.

At a different elementary school, we noted an ASB fund-raising activity was operated by the PTA rather than school personnel. We noted the following weaknesses in the fund-raising activity:

- a. Daily receipts were not counted by two people.
- b. Deposits were not made daily and when held, the deposits were not adequately secured.
- c. Deposits were not made intact.
- d. Access to the inventory used in the fund-raiser was not limited.
- e. Funds were donated toward the fund-raiser with no sale of product, but these were not separately tracked.
- f. There was no daily gross profit analysis performed that could have been used to reconcile receipts, deposits, inventory on hand, and inventory issued.

The result was a loss of at least \$2,472 and an inability to determine the exact cause or the parties involved.

The district's *Associated Student Body Procedures Manual* (Secondary Schools) October 1991 specifies:

CASHRECEIPTSJOURNAL ) When you receive cash you should record the date, who you received it from, what for, the number of the receipt you give, the account number the money is to be deposited to, and the amount . . . You should deposit receipts daily. State law requires deposits to be made within 24 hours of receipt . . . (Page 15)

The district's *Associated Student Body Procedures Manual*, September 1979 for Elementary Associated Student Body Funds states:

Program ) An associated student body program exists when there is any activity which (a) is conducted in whole or in part or on behalf of the Associated Student Body (ASB) during or outside regular school hours and within or outside school grounds and facilities, and (b) is conducted with the approval, and at the direction or under the supervision of the school district.

Monies ) ASB monies are defined as:

1. Revenues derived from ASB program or activities as defined, or
2. Donations made for the support of the ASB, or . . .
4. Any other monies received by the associated student body for the support of an ASB program or activity.

Recording Cash: You have two accounts to keep track of; (1) cash with the County Treasurer, and (2) the balance of imprest fund checking account. (Page 13)

Depositing Money (2). If you have regular deposits that are sizable (\$50.00), they should be deposited at the nearest branch of Rainier Bank. We will furnish you with special deposit slips for this purpose. (Page 13) (We realize Rainier Bank merged six years ago.)

At these schools, the problems occurred because internal control policies and procedures were not followed and school staff were not adequately trained in the appropriate ASB procedures.

When an unauthorized or inadequately monitored ASB activity occurs:

- a. Schools increase the opportunities for loss or theft, as indicated.
- b. Revenues and expenditures are not reported, or if reported are inaccurate and incomplete.
- c. District officials use incomplete or inaccurate information to budget activities in subsequent periods.

We recommend district officials provide adequate training to school staff and enforce ASB internal control policies and procedures and take steps to ensure that unauthorized accounts and funds are eliminated and/or authorized accounts are established.

3. District Officials Should Follow Policies And Procedures On Travel Advances

We audited 14 out of 163 travel requests from September 1992 through June 1993. Of the 14 requests audited, we noted 7 with various violations of district policies and procedures and state law. New travel advance procedures were implemented in June 1993. We audited 9 of the 14 requests submitted after the new policy was initiated and noted 5 with violations of the newly established district policy. The violations noted were:

- a. Amounts submitted on the claims voucher were inappropriate and unallowable under district policy and state law.
- b. Claim vouchers were not submitted to accounting within 10 days of return from authorized travel. Often times claim vouchers were submitted three to six weeks after the trip was complete. In one instance, a travel advance has remained outstanding since it was issued in March 1993.
- c. Interest has not been charged on delinquent travel advances.
- d. The Requests for Advance were not submitted to accounting five working days prior to when the cash advance check was to be issued.

District *Regulations and Procedures Governing Reimbursement of Expenses on the Traveling Expense Claim Voucher*, Number 4(b) and Number 6, states in part:

Expenses that an individual would incur normally (i.e. laundry, haircuts, shoe shine, or other expense for personal hygiene) are not reimbursable. Tip Gratuities, personal phone calls, transportation for personal purposes . . . costs for alcoholic beverages are not reimbursable.

RCW 42.24.150 states in part:

On or before the tenth day following the close of the authorized travel period for which expenses have been advanced to any officer or employee, he shall submit to the appropriate official a fully itemized travel expense voucher, for all reimbursable items legally expended accompanied by the unexpended portion of such advance, if any.

Additionally, RCW 42.24.140 states in part:

To protect the entity from any losses on account of advances made as provided in RCW 42.24.120 through RCW 42.24.160, the entity shall have a prior lien against and a right to withhold any and all funds payable or to become payable by the entity . . . up to the amount of such advance and interest at the rate of ten percent per annum, until such time as repayment or justification has been made.

District Advance Travel Policies and Procedures dated June 3, 1993, addressed to principals, program managers, and administrators, Paragraph 5 states:

Advance of Travel Funds request must be submitted at least five working days prior to the day the cash advance check is requested to be issued.

These conditions resulted from district personnel not addressing the need to file timely travel expense vouchers, district management not withholding payments and not making

additional advances until such vouchers were filed. If not corrected, the district could incur losses in the amount of outstanding advances plus interest. In addition, when advances are outstanding for extended periods, they take on the character of a prohibited loan under Article 8, Section 7 of the Washington State Constitution.

We recommend district officials comply with Washington State statutes and their own policies and procedures.

We further recommend district officials seek recovery of amounts paid for inappropriate items.

4. School District Officials Should Improve Internal Controls Over Cash Receipting

Our audit of the cash receipting accounting function disclosed several internal accounting control weaknesses. The weaknesses noted were:

- a. Checks were not restrictively endorsed upon receipt at the district. This included the school district's main office as well as other locations throughout the district.
- b. Cash and checks received were not placed in a secured location until being turned over to the district's lead cashier.
- c. Cash received was not deposited within 24 hours of receipt. Often times deposit information was held for a week or more.
- d. Segregation of duties outside of the accounting department is not maintained at the other cash receipting locations of the school district. Frequently the same person opens the mail, reconciles the information, and turns in the deposit to the lead cashier.

RCW 43.09.240 states in part:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him with the treasurer of the taxing district once every twenty-four hours.

*The Accounting Manual For Public School Districts In the State of Washington*, Chapter 3, Accounting Guidelines, states in part:

Cash Receipts ) Each public school district is responsible for the establishment of procedures for the daily collection of cash . . .

Separation of Duties ) Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.

These weaknesses resulted from the accounting department not being aware of all the cash receipting points in the district and inadequate district policies and procedures governing the cash receipting function. Failure to establish and monitor internal control procedures could result in the misappropriation of funds and fraudulent activity.

We recommend district officials establish internal control procedures over the cash receipting function to ensure all checks received are restrictively endorsed, timely deposits are made, funds received are secured, and duties are adequately segregated.

5. School District Officials Should Improve The Internal Controls Over Cash Receipting And Consolidated Omnibus Budget Reconciliation Act (COBRA) Administration

Our audit of receipting operations associated with COBRA accounting functions indicated adequate internal control procedures are not in place.

The payroll department has the responsibility for administering the COBRA benefits plan for individuals who have left the employment of the district, or for their dependents, within the provisions as set forth in the act. This entails receiving checks directly from the participant, preparing a reconciliation of the receipt of moneys and coverage paid for, retaining a small administrative fee, and remitting the net premium due, as one check, to the insurance provider.

Failure to establish adequate internal control procedures and enforce the contractual provisions of the COBRA plan uniformly was noted by the following conditions:

- a. Cash received was not reconciled and deposited within 24 hours of receipt.
- b. Inadequate segregation of duties existed with one accounting technician responsible for cash receipting, reconciliation of participant records including terminations, requesting warrants, and then distributing completed warrants.
- c. The district accepted premiums and reinstated coverage for "officially" terminated participants for a "reasonable" period of time. "Reasonable" varied in time length from one to six months.

The *Revised Code of Washington* 43.09.240, states in part:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him with the treasurer of the taxing district once every twenty-four hours.

The *Accounting Manual For Public School Districts In the State of Washington*, Chapter 3, Accounting Guidelines, states in part:

Cash Receipts ) Each public school district is responsible for the establishment of procedures for the daily collection of cash . . .

Separation of Duties ) Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals. The Washington Education Association Select Health Plan I handbook states in part:

. . . Continued coverage will end . . . (when) the next monthly subscription charge is not paid when due or within the grace period.

District officials failed to establish internal control procedures for COBRA receipting or follow administrative guidelines as established by the insurance companies. When we expressed our concerns, district officials implemented procedures to address the 24 hour deposit rule.

District payroll staff indicated they felt the procedures followed were sufficient to control the district's COBRA program and safeguard assets.



Failure to establish and monitor internal control procedures could result in the misappropriation of funds, fraudulent participant data, and declination of coverage for a participant.

We recommend district officials establish internal control procedures over COBRA receipting and accounting which provide for timely deposits and adequate segregation of duties.

We further recommend district officials evaluate the current application of a six-month grace period for reinstatement of coverage, thereby complying with their insurance company's contractual provisions.

6. District Officials Should Follow Policies And Procedures For Contingent Funds

Contingent funds are provided to each school site as requested for the purpose of enabling each school's staff to make small purchases. The funds are operated on a revolving reimbursement basis and are to be closed out at the end of each fiscal year or school year. Our audit of the district's contingent funds disclosed the following violations:

- a. Out of 58 contingent funds at the district, 18 were not closed out by August 31st of the fiscal year.
- b. Alternative School No. 1's contingent fund in the amount of \$220.27 was still outstanding as of February 22, 1994.
- c. The Child Nutrition Services department's contingent fund has not been closed out for the past 13 years. This fund still receives reimbursements for expenditures.

The districts policies and procedures General Regulations Number No. 1, Part(g) states in part:

Principals must balance and close the contingent fund with the district cashier prior to August 31 each year. If necessary, the fund may be reopened to meet immediate needs.

Contingent fund policies and procedures of the district have not been enforced in regards to timely close outs. In addition, Child Nutrition Services contingent fund is reimbursed even though it has not been closed out in the past 13 years.

Failure to close out the contingent funds by August 31 of the fiscal year may result in expenditures exceeding the authorized budgets and accounting records not properly reflecting all transactions occurring in the given time period.

We recommend district officials enforce established contingent fund policies and procedures.

We further recommend the Child Nutrition Services contingent fund be closed out each year in accordance with the district's policies and procedures.

7. District Officials Should Update And Enforce Existing Associated Student Body (ASB) Internal Control Procedures

During our audit of Associated Student Body (ASB) operations, we visited nine schools. In each school, district staff were not adhering to existing internal control policies and procedures. The weaknesses noted included:

- a. At five of the five elementary schools and one of the two high schools visited, staff were not receipting incoming checks and currency. Staff at most of these schools did not have an official Seattle School District cash receipt book.
- b. Seven of the nine secondary and elementary schools' staff visited were not making regular, timely deposits.
- c. At seven of the nine schools visited, school staff were either not restrictively endorsing incoming checks or they were endorsing the checks at the time the deposit was prepared.
- d. Staff at two of the four elementary schools visited were not accurately reconciling their ASB imprest accounts. At two locations, petty cash and change fund balances did not agree with school board approved amounts. At two of the four secondary school locations visited, ASB imprest fund custodians were not reconciling their account balance from the bank statement to the check register. At two school locations, staff did not maintain an accurate, continuous, and current check register balance.
- e. At eight of the nine schools visited, we noted checks and currency in their safe for which the original amount, revenue source, and date of receipt were unknown.
- f. The safe at one middle school contained an employee's savings bond.
- g. At two schools we noted unauthorized petty cash funds and at another an unauthorized change fund. The unauthorized petty cash funds had been allowed to accumulate \$757. These funds were to be used for incidental expenses.

The district's *Associated Student Body Procedures Manual* (Secondary Schools) October 1991 specifies:

CASHRECEIPTSJOURNAL ) When you receive cash you should record the date, who you received it from, what for, the number of the receipt you give, the account number the money is to be deposited to, and the amount . . . You should deposit receipts daily. State law requires deposits to be made within 24 hours of receipt . . . (Page 15)

IMPRESTFUND CHECK REGISTER ) When you write an Imprest Fund check, keep a separate record of the checks on this register . . . Deposits to your account should be recorded in your checkbook . . . Record the date, who you paid, the account number to be charged, the check number, and the amount. (Page 16)

ESTABLISHINGCHANGE FUNDS ) The law requires receipts to be deposited intact, so change funds must come from an imprest fund and never from receipts. (Page 17)

DEPOSITS OF CASH RECEIPTS ) made payable to the School's ASB Fund.

You will be provided with a stamp for this purpose. PLEASE USE IT.  
(Page 21)

The district's *Associated Student Body Procedures Manual*, September 1979 for Elementary Associated Student Body Funds states:

Recording Cash: You have two accounts to keep track of; (1) cash with the County Treasurer, and (2) the balance of imprest fund checking account. (Page 13)

Depositing Money (2). If you have regular deposits that are sizable (\$50.00), they should be deposited at the nearest branch of Rainier Bank. We will furnish you with special deposit slips for this purpose. (Page 13) (We realize Rainier Bank merged six years ago.)

Writing Imprest Fund Checks You will need to keep a running balance of your checking account. Since you do not have a checkbook with a register, you need to keep track of the balance on a separate accounting sheet. This check register needs at least five columns, one for the date, check number, deposits, amount of checks written, and balance. (Page 14)

It appears ASB internal control procedures were not adhered to because:

- a. Principals and ASB secretaries were not adequately trained on district policies and procedures related to ASB and receipting operations.
- b. The elementary school procedures manual has not been updated since 1979 and it does not provide accurate or current guidelines.

When adequate internal control procedures do not exist or when established procedures are not followed, the result is:

- a. Opportunities for errors or irregularities to occur and not be detected in a timely manner.
- b. Financial information may be recorded inaccurately or omitted from the accounting records.

We recommend district officials:

- a. Provide adequate and timely training to principals, school staff, and ASB secretaries at all levels.
- b. Take steps to update the elementary school procedures manual.
- c. Enforce established internal control policies and procedures.

8. Internal Controls Over General Fixed Assets Need To Be Improved

Our audit of the district's general fixed asset system and financial reporting identified control weaknesses in several areas. District officials are in the process of addressing concerns raised during the last two audits, but have made limited progress. Improvements have been made in the buildings account and CIP reconciliation, unfortunately, other weaknesses still persist.

The weaknesses noted are:

a. Equipment

- (1) The district's general ledger accounting system was not reconciled with the fixed asset equipment inventory system.
- (2) Fixed asset personnel are now establishing initial equipment asset records and values from purchase orders. This enables them to monitor subsequent notification after the asset is received. Purchase order prices can and are changed between order and payment, however, a final payment price report is not sent to the fixed asset equipment section to enable adjustment of the inventory records.
- (3) Asset receiving documentation is not consistently sent to the fixed asset equipment section, especially when an individual school receives direct deliveries or makes a pickup from the vendor. The creation of fixed asset records from purchase orders captures a majority, but not all capitalizable or controllable equipment purchases.
- (4) Lost, missing, or disposed of items are not consistently reported to the fixed asset equipment section or the accounting office.

b. Land and Buildings

- (1) The land subsidiary balance recorded in the UFAIS system and the manual listing used as the basis for the general ledger balance do not agree. Neither of the listings could be determined to be accurate.
- (2) There is no subsidiary ledger for buildings.
- (3) Capital improvement project bids are not structured to include separate schedules by building site for the same type of construction work. As a result, it is extremely difficult to identify costs by building.
- (4) Costs coded to Object 7120 ) Personal Consultant Services, which include engineering and architecture fees, have been charged with consulting fees that were not related to buildings or capital improvements even though capitalized in the building account.

A system for correctly recording and valuing the district's general fixed assets, in sufficient detail to enable district management and personnel to have accountability and control over assets, is a critical management responsibility and affects the financial decision making process.

District officials have attempted to address the weaknesses through the addition of personnel and the planned acquisition of a fixed assets program. These plans have been frustrated by hiring delays and review of programs which did not adequately address the

weaknesses.

The effect of these weaknesses, while not material to the general fixed assets balances presented in the financial statements, need to be addressed.

We recommend district management improve controls over general fixed assets by:

- a. Reconciling the district's general ledger accounting system with the fixed asset equipment inventory system maintained by the fixed assets coordinator.
- b. The fixed assets coordinator and general accounting using the same data to maintain the accounting balance and the control over the assets.
- c. General accounting notifying the fixed asset equipment section when purchase order and invoice prices are different.
- d. Using deed files and other ownership documentation to identify the property owned by the district and its cost. In addition, management should use the county as a resource to correct inadequately documented ownership information or valuation.
- e. Emphasizing that it is the responsibility of the district's federal program managers to maintain a detailed inventory record of all fixed assets acquired with their federal program funds.
- f. Establishing a subsidiary ledger for buildings and, for the future, identify capital improvement costs by project and building. This will afford better control over the costs to improve a building and provide greater accountability for capital improvement funds and future capital improvement bond issue proceeds.
- g. Using the fixed assets coordinator's subsidiary system as the major source of reliable data for establishing the equipment value in the new fixed asset module on the LEAFS system.

**SEATTLE SCHOOL DISTRICT No. 1**  
**King County, Washington**  
**September 1, 1992 Through August 31, 1993**

---

**Schedule Of Federal Findings**

---

1. District Officials Should Improve Internal Controls Over Authorization And Submission Of Time Sheets

Payroll testing noted the following areas in which the administrators of various grant fund programs have the opportunity to strengthen internal controls:

- a. Grant funded personnel were not paid timely. Two of the 25 employees tested submitted hours worked and were paid, respectively, 22 and eight weeks after the work was performed. This resulted in overcharges to the program and as such, questioned costs to the Flowthru (Handicap) program of \$202.28 and Chapter 1 of \$1,380.13.
- b. A grant funded employee was paid from a time sheet which was not signed by a person with budgetary authority. One time sheet in 25 was not appropriately signed.
- c. Time sheets submitted by grant funded employees were not correctly totaled and/or coded for payment. Two out of 25 employees were underpaid, with undercharged costs that could be applied to Chapter 1 of \$57.52 and Evenstart of \$123.20.

The Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State and Local Governments*, Attachment B, Section B.10b, states in part:

Amounts charged to grant programs . . . will be based on payrolls documented and provided in accordance with generally accepted practices of the State . . . .

The Seattle School District *Payroll Services Manual*, Extra 3, states in part:

Funding Authorization signature is required if the principal/program manager does not have budget authority over the extra time funds used.

These conditions are the result of time sheets not being properly reviewed for accuracy, authorization, and timeliness prior to submission to the payroll department for processing.

Federal programs were inappropriately charged when time sheets were incorrectly authorized, totaled, and not timely prepared.

We recommend district officials take the following steps:

- a. Reemphasize the necessity for time sheets and payroll charges to federal programs be supported by documentation which federal programs and district policies require,
- b. Appropriately compensate underpaid personnel and correctly charge the applicable grant programs,
- c. Consult with the grantor agency to resolve the questioned costs.



2. School District Officials Should Comply With Joint Training Partnership Act Contract Closeout Provisions

Our audit of the Job Training Partnership Act ) Summer Youth Employment program (Catalogue of Federal Domestic Assistance No. 17.250) noted refunds paid to the district from OASI. During 1984, 1985, and 1986, the standard school district payroll process deducted FICA from the student participants' paychecks. It was subsequently determined these participants were not required to pay FICA on their earnings. As a result of this determination, the school district received refunds of both the employer and employee portions of the FICA withheld. The amounts refunded were \$141,632.44 for 1984 and 1985 and \$69,723.67 for 1986. District officials attempted to locate the students to issue the refunds, but were not able to do so in all cases. The district requested and received permission to apply the employer portion of these refunds to active JTPA contracts. However, no such waiver was obtained for the participant/employees' portion of the refunds.

JTPA Directive No. 2.5 issued by the Seattle-King County Private Industry Council, the pass-through grantor agency for the Employment Security Department, Section II ) CLOSEOUT ) Item No. 2 states in part that the grantee shall:

Assign, transfer, set over and release to the State Of Washington, all right, title and interest that are not indicated in State Provision No. 240 to refunds, rebates, credits or other amounts (including any interest thereon) arising out of the performance to said contract . . . .

Furthermore Item 3 of the same document states the grantee shall:

Agree to take whatever action may be necessary to effect prompt collection of such refunds, rebates, credits or other amounts . . . due or which may become due, and to forward promptly to the Employment Security Department, through Seattle-King County Private Industry Council (PIC), checks (made payable to the Washington State Treasurer) for any proceeds so collected.

Also Item 1 provides the grantee shall:

Remise, release, and discharge the Seattle-King County Private Industry Council . . . from all liabilities, obligations, claims, and demands whatsoever under or arising from the said contract, except:

Additionally, Item 1 (b) provides in part:

Claims, together with reasonable expenses incidental thereto, based upon the liabilities of the Contractor to third parties arising out of the performance of the said contract, which are not known to the contractor on the date of the execution of this release and of which the Contractor gives notice in writing to the Seattle-King County Private Industry Council (PIC) within the period specified.

Believing they were complying with RCW 63.29.190 relating to unclaimed property, district officials retained the unclaimed employee portion of the refunds in anticipation of claims by the former students. The district is still holding \$53,186.81. As result of the recent disclosure of these retained funds, Seattle-King County Private Industry Council officials are evaluating the status of the continuing level of funding for the program.

We recommend district officials comply with the closeout provisions and transmit to the State of Washington Employment Security Department, as provided for in Item 1(b) (Specified Claims), the funds being held plus interest from the date of receipt of the refunds and the information necessary for the state to honor any claim of refund from a former student.

3. District Officials Should Monitor The Receipt Of Time And Effort Reports And Correctly Calculate Charges To The Chapter 1 Program

Our audit of time and effort reports submitted by individual school officials indicated a lack of adequate documentation to support payroll charges to the Chapter 1 program (Catalogue of Federal Domestic Assistance Number 84.010). This documentation included both information supplied by the schools and that prepared by the program's finance manager.

The Chapter 1 and other remedial programs are operated throughout the district. Individual school officials are required to submit monthly time reports, signed by the employee and supervisor, reflecting the teacher's time allocated to the program(s). These reports are summarized by month. From these reports, the Finance Manager prepares an annual time and effort report. These documents and calculations become the basis for charges to the district for the Chapter 1 program's payroll expenditures.

District officials have divided the responsibility for monitoring and reporting of time and effort hours among several reporting areas: school officials, program administrators, and the program's central finance office. Since last year's audit, the program administrators have instituted a new software program and developed new reporting forms. However, no one department is responsible for monitoring the monthly receipt of location reports from the schools, determining if they are complete and accurate, and compiling time and effort reports that agree to the time the teachers reported.

Our audit indicated the following violations of district and federal policies occurred:

- a. One school was included in the final report but it was not a multiple program funded school. This resulted in net undercharged costs that could be applied to Chapter 1 of \$3,921.22.
- b. Time and effort charges were extrapolated if location reports were not received. This resulted in overcharges to Chapter 1 of \$18,281.68.
- c. Location reports were not signed by the employee and the supervisor (or person having knowledge of hours worked). Ten of 14 reports audited were not signed.

The federal Office of Management and Budget's Circular A-87 ) *Cost Principles for State and Local Governments*, Attachment B, Allowable Costs - 10(b): "Payroll and Distribution of Time" states in part:

. . . Payrolls must be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort.

The failure of the schools to prepare adequate, timely documentation results in program administrators preparing reports based on estimates rather than actual information. This introduces the risk of inaccurate payroll cost distribution among the various remedial programs.

We recommend Chapter 1 administrators take the following steps:

- a. Enforce and monitor the monthly filing of time and effort reports, signed by the employee and supervisor.

- b. Cease preparing summary reports based upon estimates rather than correctly completed time and effort reports.
- c. Establish accounting procedures which monitor the accuracy of the reports by verifying the time and effort report agrees to the hours submitted by the location.
- d. Consult with their grantor on resolving the noted questioned costs.

4. District Officials Should Comply With Participant Eligibility Requirements For The Even Start Program

Our audit indicated district officials do not appear to be complying with participant eligibility requirements. Our testing noted individuals determined to be ineligible under the specific program requirements received services. Of the 25 participant files reviewed, three participants did not appear to have any children and 10 of the 25 did not appear to have any children enrolled in school. Eighteen of the 25 files lacked the eligibility determination form. This made it difficult to determine if the participant was eligible or if the individual met all of the four eligibility requirements specified in the Adult Education Act.

Section 1055 (1) of the Adult Education Act and 34 CFR 212 states in part:

To be an eligible Even Start participant, an adult must be:

- (1) the "parent" of a child, age birth to seven, who resides in an elementary attendance area served by the Chapter 1 Basic program; and
- (2) eligible for participation in an adult education program under the Adult Education Act, 20 U.S.C. 1201 (a) (1) and (2).

Adults eligible for services under the Adult Education Act are those:

- (a) who are not enrolled in a secondary school;
- (b) who lack sufficient mastery of basic educational skills to enable them to function effectively in society or who do not have a certificate of graduation from a school providing secondary education and who have not achieved an equivalent level of education;
- (c) who are not currently required to be enrolled in schools; AND
- (d) whose lack of mastery of basic skills result in an inability to speak, read, or write the English language which constitutes a substantial impairment of their ability to get or retain employment commensurate with their ability, and thus in need of programs to help eliminate such inability and raise the level of education of such individuals with a view to making them less likely to become dependent on others.

District staff appear to be inconsistent in the application of or understanding of the eligibility requirements and as such are providing services to ineligible recipients. Failure to adhere to the eligibility requirements is a violation of the terms of the grant award and could result in the loss of federal funding in the future or in the federal grantor requesting program funds be returned. Given the program's structure, we were unable to calculate questioned costs associated with ineligible participants who received services for the fiscal 1993.

We recommend district staff administering the Even Start program review the eligibility

criteria and only provide services to those individuals meeting the specified participant eligibility criteria.

We further recommend participant files be adequately and accurately maintained, so eligibility compliance may be more readily monitored.

5. District Officials Should Monitor The Use Of Assets Purchased With Federal Funds

As part of the 1990-91 Magnet Schools Grant program award (Catalogue of Federal Domestic Assistance Number 84.165), district officials purchased a boat at a cost of \$40,964 and a van to tow the boat at a cost of \$15,664. The purpose of the boat was for use in the Marine Health Science program, a Magnet funded program, at Garfield High School. This program, currently operated with local funds, offers specialized course work and in-depth field study of the marine environment. Our audit of the boat's log book indicated at least 14 instances in which the boat was not used for its intended program purpose. In addition, inquiries were made concerning the use of the van. These inquiries also disclosed the van was not being used exclusively for the Magnet program. Questioned uses included the following:

- a. On four occasions teachers were taken on weekend fishing trips. In some cases family members or guests of these teachers were aboard as well. No students were present on these trips.
- b. In one instance the program director of the Marine Science Department took his brother out on a weekend trip. No students were aboard.
- c. On at least three occasions, the trips included a teacher who was not part of the Marine Health Science program. These occasions involved weekend trips including overnight stays in the San Juan Islands. In addition, one trip was taken during the summer when the program was not offered. No students were present on these trips.
- d. The van purchased with Magnet grant funds was used for activities not related to federal programs. These uses included athletics and language arts activities.

Title VII of the Education for Economic Security Act, Magnet School Assistance, Section 709 states in part:

Grants under this title may not be used for consultants, for transportation, or for any activity which does not augment academic improvement.

The "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* Section\_.32(c) states in part:

Equipment shall be used by the grantee or subgrantee in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal Funds. When no longer needed for the original program or project, the equipment may be used in other activities currently or previously supported by a federal agency.

Article VIII, Section 7 of the *Constitution of the State of Washington* states:

No county, city, town, or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual . . . except for the necessary support of the poor and infirm . . . .

District officials indicated the objective of a number of the trips was to promote other teachers' interest in the program so that they would then interest their students to

participate in the program. It appears, however, the boat and van were used for purposes other than intended by federal regulations. In addition, the boat is not currently in operation due to licensing requirements not being met by district personnel involved in the program.

The Marine Science program and the Magnet schools federal funding may be jeopardized due to district officials not meeting program requirements. In addition, it appears private individuals benefited at public expense through their involvement with these trips. We were unable to determine the extent of the questionable costs related to these trips.

We recommend district officials comply with the requirements of the Magnet program and other federal regulations regarding use of equipment.

We further recommend district officials establish strict policies and procedures for use of the boat and van; these policies and procedures be approved by the grantor agency; and the policies and procedures be appropriately monitored.

We also recommend district officials consult with their grantor concerning the apparent past misuse of the boat and van, and the future of these assets in this program.